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C O N F I D E N T I A L MEXICO 15206

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SUBJECT: ECONOMIC AND FINANCIAL OFFICIALS IN JLP CABINET.

1. SUMMARY: THE THREE KEY ECONOMIC JOBS IN THE JLP ADMINISTRATION WERE FILLED BY MOCTEZUMA CID AT TREASURY, ROMERO KOLBECK AT BANK OF MEXICO AND TELLO MACIAS AT PRESIDENCY. WHILE ALL THREE ARE COMPETENT, THEY SEEM TO OWE THEIR NEW JOBS MORE TO FRIENDSHIP WITH AND LOYALTY TO LOPEZ-PORTILLO THAN TO THEIR INDEPENDENT STATURE IN FINANCIAL AND ECONOMIC AREAS. SECOND LEVEL CHOICES APPEAR REASONABLY STRONG.

2. JULIO RODOLFO MOCTEZUMA CID IS 49 YEARS OLD AND WAS TRAINED AS A LAWYER. HE HAS BEEN A CLOSE ASSOCIATE OF LOPEZ-PORTILLO SINCE THE 1950'S, SERVING AS "OFFICIAL MAYOR" (CHIEF ADMINISTRATIVE OFFICER) OF THE TREASURY WHILE LOPEZ-PORTILLO WAS SECRETARY AND THEN A SORT OF CHIEF OF STAFF DURING THE PRESIDENTIAL CAMPAIGN. HE ALSO HEADED THE POLITICAL PARTY'S RESEARCH ORGANIZATION DURING THE CAMPAIGN. HE IS SHORT WITH A DARK COMPLEXION, AND A PLEASANT MANNER. WE DO NOT BELIEVE HE SPEAKS ENGLISH. HE HAD BEEN EXPECTED TO BECOME SECRETARY OF THE PRESIDENCY, BUT, ACCORDING TO INDIRECT REPORTS, PRESSED LOPEZ-PORTILLO TO GIVE HIM THE TREASURY. HIS OFFICIAL BIOGRAPHY STATES
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THAT HE ATTENDED AN IDB-UNIDO COURSE IN PROJECT EVALUATION.

3. MOCTEZUMA NAMED HIS SENIOR OFFICIALS ON WEDNESDAY AFTERNOON. MIGUEL DE LA MADRID IS TO REMAIN THE FIRST UNDER-SECRETARY. OSCAR REYES RETANA IS MOVING UP FROM CUSTOMS TO BE UNDER-SECRETARY FOR INVESTIGATION AND FISCAL EXECUTION. SUB-SECRETARY FOR REVENUE IS MIGUEL RICO RAMIREZ, UNKNOWN TO EMBASSY. WE UNDERSTAND THAT DIRECTOR GENERAL OF CREDIT WILL BE GILBERTO ESCOBEDO WHO IS A U.S.-TRAINED ECONOMIST FROM THE BANK OF MEXICO AND HAS HAD CLOSE CONTACTS WITH EMBASSY PERSONNEL. HE LEFT THE BANK OF MEXICO LATE IN 1975 TO JOIN THE JLP CAMPAIGN. FORMER DIRECTOR GENERAL, VICTOR NAVARETTE IS GOING TO SOMEX WITH MARIO RAMON BETETA WHO IS TO TAKE OVER SOMEX, A FINANCIAL GROUP THAT THE GOVERNMENT TOOK OVER FIVE OR SIX YEARS AGO.

4. CARLOS TELLO MACIAS WAS BORN IN 1938, AND STUDIED AT GEORGETOWN, COLUMBIA UNIVERSITY AND CAMBRIDGE. HE WORKED WITH LOPEZ-PORTILLO IN THE 1960'S, AND FROM 1970 TO 1974 WAS IN THE DIRECTION GENERAL OF CREDIT AT TREASURY WHERE HE WORKED ON FOREIGN BORROWING PROBLEMS. HE JUMPED OVER SEVERAL PEOPLE, INCLUDING HIS THEN-BOSS, MIGUEL DE LA MADRID, TO BECOME UNDER-SECRETARY FOR REVENUE IN EARLY 1975. HE WAS THE PERSONAL CHOICE OF THEN-SECRETARY-LOPEZ-PORTILLO FOR THE JOB. WHILE WE HAVE FOUND TELLO PLEASANT, SENSIBLE AND OPEN, THIS OPINION IS NOT WIDELY SHARED, PARTICULARLY BY THE BUSINESS COMMUNITY WHICH FOUND HIM VERY DIFFICULT TO DEAL WITH AS REVENUE UNDER-SECRETARY. WE ALSO UNDERSTAND THAT HE DID NOT GET ALONG WELL WITH BETETA OR FERNANDEZ-HURTADO APPARENTLY BECAUSE HE FAVORED A LESS CONSERVATIVE APPROACH TO DEALING WITH MEXICO'S FINANCIAL PROBLEMS. SEVERAL LOCAL ECONOMISTS HAVE TOLD US THAT HE BELONGS TO THE CAMBRIDGE SCHOOL THAT FAVORS SPENDING THE COUNTRY INTO PROSPERITY. OUR EXPERIENCE WITH TELLO HAS NOT CONFIRMED THIS.

5. THE PRESIDENCY SECRETARIAT HAS HAD CONTROL OVER PUBLIC SECTOR CAPITAL SPENDING AND IT MAY OBTAIN GREATER CONTROL OVER THE BUDGETING PROCESS IN THE JLP ADMINISTRATION.
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TELLO IS LIKELY TO PLAY A KEY ROLE IN THE BUDGETING PROCESS.

6. NEW DIRECTOR-GENERAL OF BANK OF MEXICO IS GUSTAVO ROMERO KOLBECK. SEE MEXICO 15145. TWO NEW SUB-DIRECTOR GENERALS OR ASSISTANT DIRECTORS HAVE BEEN APPOINTED. ONE IS LEOPOLDO SOLIS, A WELL-KNOWN AND HIGHLY REGARDED U.S.- TRAINED ECONOMIST WHO SPENT THE LAST YEAR OR SO AT

PRINCETON WRITING ON THE MEXICAN ECONOMY. HE IS TO BE IN CHARGE OF PLANNING, BUT HIS FUNCTIONS ARE NOT YET CLEAR. OTHER SUB-DIRECTOR GENERAL IS JORGE ESPINOSA DE LOS REYES WHO HAS BEEN WITH PEMEX FOR THE PAST TWELVE YEARS, AND ENJOYS A GOOD REPUTATION. HE HAS BEEN OPEN AND FRIENDLY TO AMERICANS. OTHER SENIOR OFFICIALS OF BANK OF MEXICO INCLUDING ALFREDO PHILLIPS, ARE APPRENTLY STAYING IN THEIR JOBS.

7. WE CONSIDER THE SECOND LEVEL APPOINTMENTS LACK INDEPENDENT STATURE. IT IS UNLIKELY THAT THEY COULD OR WOULD STAND UP TO THE PRESIDENT ON ISSUES WHERE THERE WAS DISAGREEMENT. THIS MIGHT HAVE BEEN THE CASE HAD LOPEZ-PORTILLO APPOINTED ELDER STATESMEN TYPES SUCH AS ORTIZ MENA OR CARRILLO FLORES THAT HAD ONCE BEEN RUMORED. ON THE OTHER HAND, WE DO NOT BELIEVE BUSINESS COMMUNITY WILL BE PARTICULARLY UNHAPPY WITH THESE CHOICES, EXCEPT POSSIBLY TELLO.
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